

Testimony of Eric W. Gjede
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Before the Committee on Labor and Public Employees
Hartford, CT
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Testifying in Opposition SB-906 An Act Concerning Direct Deposit of Wages

Good Afternoon Senator Osten, Representative Tercyak, and members of the Labor and Public Employees Committee. My name is Eric Gjede and I am assistant counsel at the Connecticut Business and Industry Association (CBIA) which represents more than 10,000 large and small companies throughout the state of Connecticut.

CBIA is opposed to SB-906 because of the tremendous cost and potential legal liability it requires the business community to incur.

As the proponents of this bill will note, the federal government uses electronically encoded "tags" to identify directly deposited social security benefits to prevent them from being garnished by the recipient's creditors. The code used by the Social Security Administration is simple and foolproof because they are only depositing a single type of payment into accounts: social security benefits.

However, using these electronic tags to identify wages coming from an employer is significantly more complicated. There are several reasons for this:

1. An individual's paycheck can be composed of a variety of different components, only one of which is the "wages" the bill requires to be electronically encoded. That means each component of a directly deposited paycheck would need its own unique electronic code.
2. The portion of an individual's account that is protected from garnishment by creditors varies from state to state. Therefore, a multitude of new electronic codes would be needed in order to be in compliance and avoid employer liability from both in-state and out of state employees.
3. In addition to the expense involved with developing new codes, there would be significant costs involved in training employees of payroll companies as well as businesses that do their own payroll how to use these codes.
4. If an employer uses the wrong code on a portion of an employee's wages, that employer could potentially be subject to litigation originated by the employee and the employee's creditors.

As a result of the costs and potential liability that would have to be incurred by businesses to comply with this bill, we urge the committee to reject SB-906.